

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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EO 11652: NA

TAGS: EGEN, EFIN, EG

SUBJECT: OWN IMPORT PROGRAM: ISSUE STILL UNRESOLVED

REF: CAIRO 10874

1. GOE POLICY OF PERMITTING IMPORTS WITHOUT TRANSFER OF CURRENCY
-OWN IMPORT PROGRAM (OIP)- HAS BEEN SUBJECT OF CONTROVERSY SINCE
INCEPTION IN 1974, CULMINATING IN HEATED PUBLIC DISPUTE
(REFTEL), WHICH TOOK PLACE IN PEOPLE'S ASSEMBLY. AS RESULT
DIVERGENT VIEWS ON IMPACT OIP HAS HAD ON ECONOMY, PM SALEM
EVIDENTLY REQUEST A REPORT ON SUBJECT, WHICH HAS NOW BEEN
PRESENTED, AND PUBLISHED IN PRESS.

2. OIP, ACCORDING TO REPORT, HAS HAD FOLLOWING EFFECTS:
- DISCONTINUATION OF MONOPOLIZATION OVER IMPORTATION OF
SOME COMMODITIES (PAPER, RAW MATERIALS, FOODSTUFFS WERE
CITED AS FOREMOST ILLUSTRATIONS), HAS LED TO LOWER PRICES;

- CRAFTSMEN AND OTHER SMALL PRIVATE SECTOR ENTREPRENEURS
HAVE FOUND INCREASED AVAILABILITIES OF THEIR REQUIREMENTS FOR
PRODUCTION (BRASS, COPPER, LUMBER, ETC).

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3. STATISTICAL BREAKDOWN OF IMPORTS IS ALSO GIVEN, CITED AS

VALUE OF PERMITS ISSUED FOR OIP, IN THOUSANDS OF POUNDS, UP TO
NOVEMBER 5, 1975:

TRANSPORTATION EQUIPMENT AND RELATED SPARE PARTS	147,500
INDUSTRIAL PRODUCTION	85,900
MACHINERY, EQUIPMENT AND MISCELLANEOUS PRODUCTS	36,000
BUILDING, HOUSING AND RECONSTRUCTION	17,400
SUPPLY COMMODITIES AND FOODSTUFFS	14,600
MEDICAL SUPPLIES AND EQUIPMENT	2,800
AGRICULTURAL SUPPLIES	200
TOTAL	LE 334,300

4. IN ADDITION, REPORT CONCLUDES THERE IS NO PROOF THAT VALUE OF
COMMODITIES IMPORTED UNDER OIP WOULD HAVE BEEN CREDITED TO
PARALLET MARKET. FINALLY, REAL IMPACT OF PROGRAM SILL BE
DISCERNABLE ONLY WHEN SUFFICIENT TIME HAS PASSED FOR PEOPLE
RETURNING FROM ABROAD TO SEE THAT ARTICLES THEY USED TO BRING
WITH THEM ARE AVAILABLE IN EGYPT, AND CAN BE PURCHASED
HERE, THEREBY SAVING FREIGHT CHARGES AND CUSTOMS DUTIES.

5. COMMENT: REPORT RAISES ALMOST AS MANY
QUESTIONS AS IT ANSWERES, UNFORTUNATELY, AND APPEARS TO BE
MIXING APPLES AND ORANGES, BUT IS NONETHELESS A
VERY INTERESTING DOCUMENT.

6. LEAVING ASIDE MERE VALUES SHOWN IN PARA 3, WHICH AT \$835
MILLION ARE HIGER THAN WE WOULD HAVE EXPECTED--AND ARE SUSPECT
AS NO ONE CAN TELL US HOW THEY WERE DETERMINED SINCE NO TRANSFERS
WERE MADE AT ANY OF EGYPT'S EXCHANGE RATES--RATIOS OF COMMODITY
GROUPINGS (CONSIDERED SOMEWHAT MORE RELIABLE) ARE QUITE SURPRISING.
GENERAL FEELING HERE WAS THAT LUXURY GOODS WERE MAJOR IMPORTS
UNDER OIP, PERHAPS BECAUSE THEY ARE MOST VISIBLE, BUT DATE
INDICATE THAT THIS IS NOT CASE. IF DATA ARE NOT CORRECT, THEN
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IMPACT OF AVAILABILITY SUCH ITEMS DOMESTICALLY ON RETURNING
EGYPTIANS, SUGGESTED ABOVE AS LEADING TO REDUCTION IN IMPORTS,
WILL BE NEITHER LARGE NOR SIGNIFICANT.

7. OF GREATER IMPORTANCE TO ECONOMY, HOWEVER, ARE CONCERNS OF
IMF, FOR EXAMPLE, THAT OIP HAS SERIOUS NEGATIVE EFFECT ON VOLUME
OF WORKERS REMITTANCES AND AVAILABILITY OF FOREIGN EXCHANGE THROUGH
PARALLET MARKET MECHANISMS. GROWTH OF BLACK OR "FREE MARKET"

ACTIVITIES WITHIN EGYPT AS RESULT OF PROGRAM ARE ALSO A SOURCE
OF POTENTIAL DIFFICULTY FOR ECONOMY.
MAESTRONE

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